



A primer on the DP3 appeals – Who is Affected and What is at Stake

Preface: This is not a description of the appeals themselves. It is an explanation of the 3 factors reducing our benefits.

This document is intended to serve as a primer on the PBGC procedures that reduce the benefits of DP3 members. It does not address calculation issues that may be affecting a larger number of retirees.

There are approximately 13,000 participants in the terminated Delta Pilots' Pension Plan. Of that number approximately 6500 are PC3 eligible participants who were born prior to 9/1/1953 (PC3 eligible participants are those who had retired or were eligible to retire as of September 2, 2003). Of those, just over 200 were still unretired at DOPT.

There is a shortfall of \$604 million that is being carried entirely by 3500 PC3 eligible participants (which includes the 200+ unretired at DOPT).

The 3500 burdened PC3's are made up of approximately 1000 participants who retired prior to 7/1/2002, and 2500 participants who retired on or after 7/1/2002.

While there are a number of problems with the way the PBGC has performed our benefit calculations, one can trace the benefit reductions these 3500 have experienced to 3 PBGC policies:

- 1- The fourth and fifth year of the Internal Revenue Code look backs.

This breaks into two parts:

- 1) 401a reduction to \$170,000 affects all participants who retired on or after 7/1/2002. Removing this look back would increase the 401a limit to \$200,000.
- 2) 415b reduction to \$140,000 affects 1000 participants who retired prior to 7/1/2002. Removing this look back would increase their 415b limit to \$160,000.

These are two separate but related issues. The PBGC has combined them in its PC5b valuation.

These two issues affect every one of the 3500 burdened PC3s and represent the largest potential gain to each of the 3500 retirees.

The value placed on these two issues by the PBGC is \$421 million.

- 2- The three year look back on the IRC 401a and 415b maximum limits.

Removing this in addition to the 5 year look back on IRC limits would increase the 401a limit from \$200,000 to approximately \$201,667 for participants who retired in the 2005 plan year.

The 415b maximum limit would increase from \$160,000 to \$175,000, adjusted for age at early retirement.

We believe that these changes would benefit primarily Minimum benefit recipients and participants who retired younger than approximate 57 years of age (an estimated 2500 of the 3500 affected retirees).

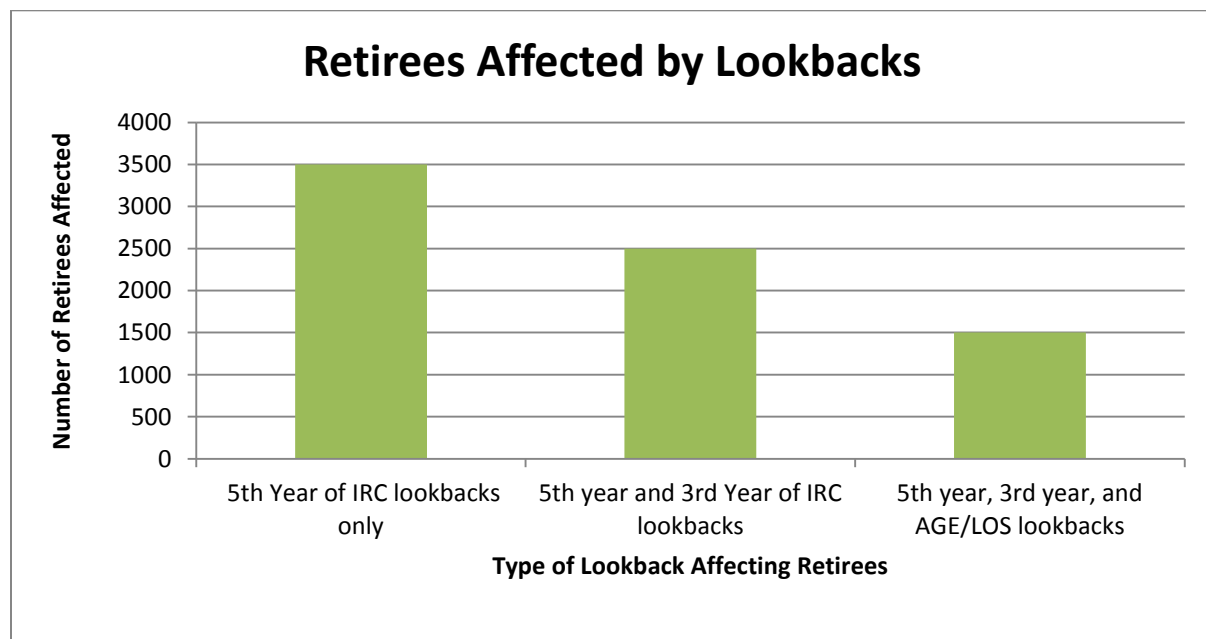
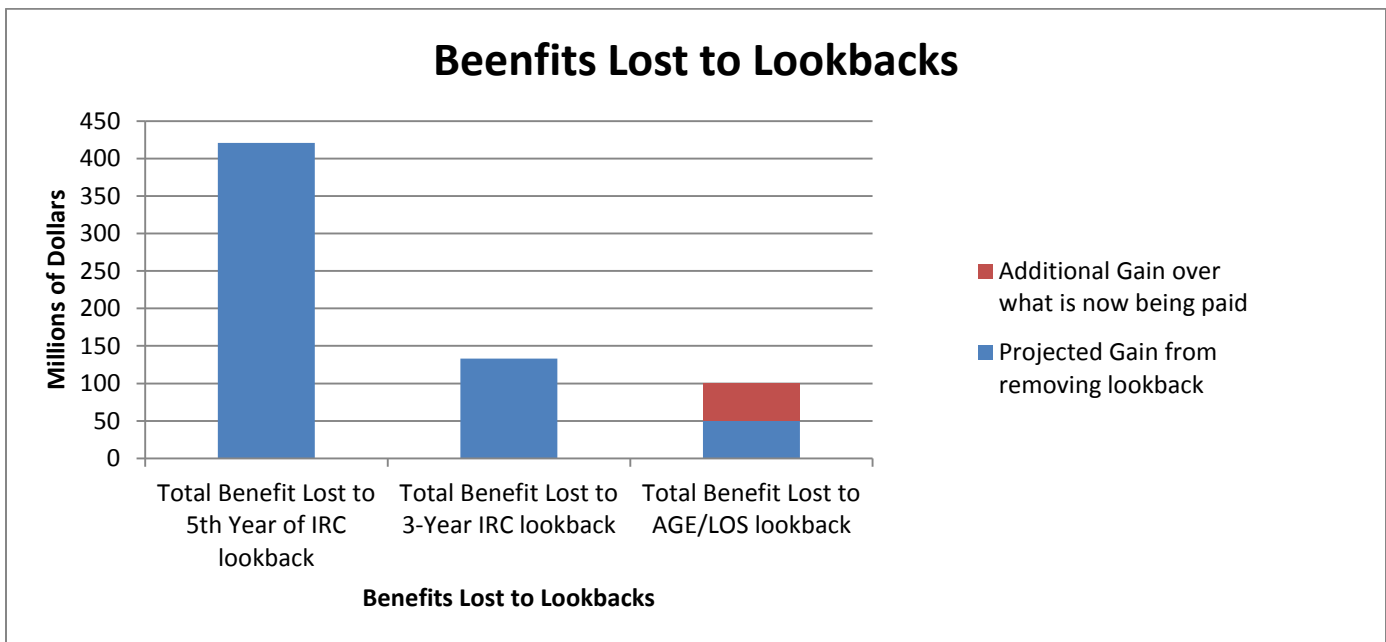
The PBGC values these changes at approximately \$133 million.

- 3- The three year look back on age and length of service.

Currently, PC3 benefits are not necessarily based on a participant's actual age and length of service as of his or her date of retirement, but rather the participant's age and length of service on 9/1/2003 or actual retirement date, whichever is earlier.

This affects all participants who retired after 9/1/2003, in varying degrees (an estimated 1500 of the 3500 affect retirees).

The total cost to approximately 1500 participants of this procedure is estimated be approximately \$100 million under the PC3 allocation. However approximately 51% of this shortfall is being paid to those participants under PC5a, so the current shortfall is actually an estimated \$50 million.



These are the only 3 procedures that reduce the PC3 benefit for PC3 eligible retirees.

But there are a number of ways to reduce or eliminate the impact of these procedures. Your DP3 trustees and our attorneys are working diligently to craft appeals that will successfully accomplish that goal.